

**Security Council**

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Letter dated 14 October 2011 from the President of the Governing Council of the United Nations Compensation Commission addressed to the President of the Security Council

I am pleased to provide my report as President of the Governing Council on the results of the Governing Council's seventy-second session, which was held at Geneva from 11 to 13 October 2011. The full text of the conclusions adopted by the Governing Council is attached.* I would however like to highlight a few of the issues discussed during the session.

At the opening plenary meeting, South Africa was elected as one of the two Vice-Presidents of the Council. It is recalled that the other Vice-President is Brazil. The delegations of the Governments of Kuwait and Iraq addressed the Council. Copies of their statements are being sent by mail with the original of this letter. The Council also considered a report of the Executive Head on the activities of the Commission since the last session.

On the level of Iraq's contribution to the Compensation Fund, the Council noted that almost \$2 billion was paid to Kuwait in the last two payments and that the next payment, scheduled for 27 October 2011, will be in excess of \$1 billion. The Council also noted that, assuming that income to the Fund continues at its current level, it would take approximately 4.5 years to pay the outstanding balance in full. With regard to the consultations between Iraq and Kuwait under the auspices of the Compensation Commission on the unpaid balance of approximately \$19 billion that remains owing to Kuwait, the Council took note of the briefing and the efforts of the Executive Head of the Compensation Commission, and also took note of the statements made by the delegations of the Governments of Iraq and Kuwait at the opening plenary meeting regarding this issue. The Council encouraged the Governments of Iraq and Kuwait to meet under Compensation Commission auspices as soon as possible in order to come to a financial resolution acceptable to both Iraq and Kuwait, and requested that the Executive Head continue his efforts.

On the issue of the arrangements for ensuring that payments are made to the Compensation Fund, the Council noted that, at a meeting with the Iraq Committee of Financial Experts early in July 2011, the Committee repeated earlier assurances to the Executive Head that the mechanism for the payment of 5 per cent of revenues from the sale of Iraqi petroleum and petroleum products into the Compensation Fund would remain in place. In this regard, the Council noted with satisfaction that,

* Not included in the present document.



since the transfer to the Committee, there has been no change in the mechanism and payments continue to be transferred through the Federal Reserve Bank of New York.

With respect to the issue of in kind transactions, the Council noted that the secretariat had advised the Committee of Financial Experts that they are not contrary to applicable Security Council resolutions provided that a proper accounting mechanism is in place to ensure that 5 per cent of the value of such transactions is recorded and paid into the Compensation Fund. In this regard, the Council requested that the Executive Head write to the Committee reiterating the request for a letter setting out the details of the accounting mechanism that the Committee had agreed to provide and highlighting the urgent need for this mechanism to be in place, reaffirming that the value of 5 per cent of any such transactions must be paid to the Fund in accordance with Security Council resolution 1956 (2010). The Executive Head was also requested to continue to regularly engage with the Committee regarding all payment and accounting mechanisms. Iraq's continued commitment to comply with its payment obligations under relevant Security Council resolutions was affirmed in the statement made by the delegation of Iraq at the opening plenary meeting.

With respect to the Follow-up Programme for Environmental Awards, the Council considered the status of implementation of Governing Council decisions 258 (2005) and 269 (2011). On decision 269, the Council noted the progress made by the participating Governments of Jordan, Kuwait and Saudi Arabia towards establishing the required systems and controls. The Council reiterated the continued target date of 2012 and the importance of meeting the criteria under decision 269, and recalled paragraph 7 of decision 269, wherein the Council decided that, at its seventy-fourth session in November 2012, the Council shall assess the adequacy of the systems and controls established to decide whether, in respect of each participating Government, the mandate of the Programme is fulfilled and the Programme can be closed.

On decision 258, the Council took note of briefings by the secretariat on Iran (Islamic Republic of), Jordan, Kuwait and Saudi Arabia, and of information notes from the secretariat and the biannual reports of the national focal points and independent reviewers of Jordan, Kuwait and Saudi Arabia. The Council noted phasing plans, authorized the release of funds from their respective special accounts as appropriate, and noted technical modifications in the case of Kuwait.

The Council adopted a report of the Committee on Administrative Matters regarding the interim expenditure report for the biennium 2010-2011 and approving the budget for 2012. With the adoption of decision 269 (2011) under which the Governing Council seeks to be in a position to conclude the Follow-up Programme by the end of 2012, the budget has been prepared on an annual basis rather than on a biennial basis. The secretariat of the Compensation Commission was directed to prepare the budget for 2013 when the needs of the Programme are better known and to present it to the Committee on Administrative Matters for consideration.

With the recent payment made in July 2011, there are now eight remaining successful compensation awards (in the corporate and government claim categories), all from Kuwait. The overall amount of compensation made available to date by the Commission is approximately US\$ 33.3 billion, and a total outstanding balance of \$19 billion remains to be paid. As indicated above, the next payment is scheduled to be made on 27 October 2011.

The next Council session will be held from 1 to 3 May 2012.

(*Signed*) Reinhard **Schweppe**
President of the Governing Council
